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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF AGRICULTURE  
AND RURAL DEVELOPMENT

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DIRECTOR

**DATE:** April 1, 2015

**TO:** Honorable Mike Green, Chair  
Senate Agriculture Appropriations Subcommittee

Honorable Nancy Jenkins, Chair  
House Agriculture Appropriations Subcommittee

**FROM:** Matt Blakely, Legislative Liaison

**SUBJECT:** Legislative Boilerplate Reports on Agriculture Development and the Grape  
and Wine Industry Council

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Pursuant to Sections 706 and 709 of Public Act 252 of 2014, attached are the required reports for the Department of Agriculture and Rural Development's agriculture and export market development activities and the Grape and Wine Industry Council Annual Report.

Please contact me at (517) 284-5720 or Maria Tyszkiewicz, Budget Officer, at (517) 284-5722 if you have any questions or would like any additional information.

Attachments (2)

cc: Representative Roger Victory  
Representative Dave Pagel  
Representative Edward Canfield  
Representative Sam Singh  
Representative Jon Hoadley  
Senator Hoon-Yung Hopgood  
Senator James Stamas  
Bruce Baker, Senate Fiscal Agency  
William Hamilton, House Fiscal Agency  
Jacques McNeely, State Budget Office  
Jenny Harrison, State Budget Office  
Jamie Clover Adams, Director, MDARD  
Gordon Wenk, Deputy Director MDARD  
Maria Tyszkiewicz, MDARD Budget

**Michigan Department of Agriculture & Rural Development Office of  
Agriculture Development  
FY 2014 Activities and Accomplishment Report**

**Mission Statement:** The Office of Agriculture Development (OAD) delivers expertise and leadership to support economic development in Michigan's food and agriculture industries.

The OAD assists in expanding the state's food and agriculture industry by focusing on developing and expanding domestic and international markets for Michigan's food and agricultural products. OAD serves as a catalyst in developing value-added agriculture initiatives and facilitating economic development for the state's second largest business sector. The efforts of the OAD have helped Michigan retain thousands of jobs, create hundreds of new jobs, and help grow the state's agri-food industry.

OAD staff serve as facilitators between businesses and state and local authorities to assist with business expansion needs. Examples of the services they provide to customers include:

- Supply chain connections
- Regulatory assistance
- Funding
- Meeting facilitation
- Trade Issues

An integral component of the MDARD economic development program includes its partnership with the Michigan Economic Development Corporation (MEDC). Both MDARD and the MEDC have significant resources dedicated to a coordinated economic development program for the state. The MDARD economic development team is aligned with MEDC's regional model and acts as a resource to companies and regional partners concerning issues related to supply chain, food safety, regulation, and agri-business start up. The team is versed on federal programs and educates the agri-business industry about federal opportunities such as USDA loan programs. MDARD and MEDC currently share a staff person to ensure proper coordination in Michigan's effort to grow the food and agri- business sector.

This report will highlight OAD's FY 2014 activities and accomplishments in agricultural business expansions and the International Market Development Program. Also included in Attachments A & B is the FY 2014 Grape and Wine Industry Council's Annual Report, Budget and Research Project information.

## **AGRICULTURE BUSINESS EXPANSIONS**

**Forestry Exports** - As a follow up to the Governor's 2013 Forest Product Summit, MDARD facilitated the Forest Product Export Seminar on August 21<sup>st</sup>. There were 36 participants in attendance. Two companies have requested additional export support following the seminar. Although the participants were predominantly university and government export service providers, everyone in attendance got exposure to the forest product sector, and may have a better perspective when assisting forest product clients.

**Bob Evans Farms** - Bob Evans Farms headquartered in Columbus, OH, plans to refurbish and expand an existing packaging facility in the City of Hillsdale, investing up to \$4.1 million and creating 17 new jobs. They currently are harvesting 450 sows a day with the expansion that will be up to 600 sows per day and they are relying on Michigan growers to fill that need. The improvements to the facility include: expansion of the livestock receiving and handling area; improvements to the refrigeration system; improvement to the hot water system for food safety and sanitation requirements; updating the employees welfare areas (locker room,

lunch/break area); and add a training room. These design improvements will accommodate new technology in the harvest area to meet food, safety and quality requirements.

Dairy Farmers of America - Dairy Farmers of America's Cass City facility is now in the final stages of construction of the plant. All the skills tradesmen are off the site and engineers have just begun the testing and calibration of the facility's dairy processing equipment. During this testing time, DFA is in the process of building their waste water treatment facility that will be completed by the time the plant starts up in February of 2015. Industry officials have commented that 7,500 additional cows will come in production in the next year with another 10,000 planned and has had an impact on other agricultural suppliers in the thumb region.

Michigan Milk Producers Association and Foremost Farms - MMPA and Foremost Farms (based in Wisconsin) came to an agreement this summer to form a partnership between two farmer owned cooperatives. MMPA will be expanding their Constantine facility to condense milk for their members with Foremost Farms Michigan members before it is shipped on to their Wisconsin processing facilities. Currently Foremost trucks all of their Michigan member's raw milk to Wisconsin for processing. With this partnership with MMPA, Foremost will be able to take four truck tanks of milk and condense it down to one truck for shipment to their facilities.

Michigan Aquaculture Expansion - In the past year MDARD has helped three operations either expand their operations or facilitated the regulator requirements for a new operation. Harrietta Hills Trout farm received their necessary permits to expand their trout production in a former DNR hatchery in Grayling. Sandstone Creek in Jackson County purchased an existing trout farm and has received the necessary permits to expand that facility to around \$1 million pounds of fish production. Wildwaters Farm in Manistee County is using a recirculating aquaculture system to produce Barramundi that will be sold in the Traverse City area.

Pinnacle Food Group - Pinnacle Food Group, headquartered in Parsippany, NJ, is a leading producer, marketer and distributor of high quality branded food products through the Duncan Hines Grocer, Birds Eye Frozen Foods and Specialty Foods divisions. Pinnacle owns two facilities in Michigan – one in Imlay City, producing products under the Vlasic brand, and Fennville, producing Comstock products. Pinnacle consolidated its Millsboro, DE pickle operations to its Imlay City facility, investing \$14.3 million for the expansion and creating 29 new jobs. This facility buys nearly \$6 M in Michigan agricultural commodities annually. The consolidation would increase the demand for Michigan cucumbers from 700,000 bushels to 1.2 million.

Pure Michigan Agriculture Summit - This summit was a first time collaboration between the MDARD's Ag Development Team and MEDC's B2B team bringing together retailers, producers and processors to strengthen the supply chain. Over 70 individual needs were identified and over 200 meetings took place. The event was incredibly successful and will be taking place again during Ag month in March 2015.

Garden Fresh – Project Cilantro - Facilitated meetings between Garden Fresh, Kalamazoo greenhouse growers and Greenstone Farm Credit in an effort to source the 520K tons of cilantro Garden Fresh uses each year. A test plot is currently being planted and the industry and producers will work together to evaluate the viability of growing cilantro in a greenhouse environment. This is an ongoing project that could be a viable option for product diversity.

Land to Lakes Initiative - Members of the leadership team for the regional initiative; a collaboration of 18 counties in the Manistee area who have master planned and prioritized agriculture as a priority. The Farm and Food System project is one of the first implementation efforts which is working for prosperity for agricultural producers, processors and others who market locally grown foods.

Kilbourne Produce - Second hydroponic greenhouse in Michigan set to grow peppers for Mastronardi in Coldwater. The first phase is currently being constructed with 12 acres under glass. MDARD continues to work with Nathan Kilbourne to secure all his utility needs.

Philos Foods - New natural yogurt and ice cream processing facility in Muskegon who repurposed the former Arla Cheese Plant. The intent is to invest \$3 million in capital investments with 15 jobs in the first year alone using DFA as their Milk Supplier.

Miller Amish Poultry - Miller has constructed six, \$500,000 barns at a site in Bronson for processing in their Indiana facility. MDARD worked with them extensively to help to resolve regulatory issues and issues with their energy provider. The company looks will continue to look at more opportunities in Michigan for growth.

Corn Detasselling - MDARD team facilitated a conversation with Debbie Stabenow's office and a letter to DHS to allow migrant workers to be transferred to Michigan to detassell seed corn for Monsanto and Pioneer. The delay in getting workers to Michigan was costing the Monsanto \$8,000,000 a day in lost product.

Short Brewing Company - The MDARD team was able to make a supply chain connection to Short's to a local apple growers to contract pressed apple juice for an annual fall product. This connectivity allowed the grower to sell apples that did not grade out for fresh to be utilized at a much better price than juice.

Herbrucks Poultry Ranch - Herbruck Poultry Ranch, Inc. is a family owned egg producer in Ionia County. The company has opportunities to expand its egg production and processing facilities, investing up to \$33 million and creating 50 jobs. Herbrucks Poultry Ranch continues to have opportunity for growth. The company has a need to increase their capacity due to customer demands. Herbruck's currently has over 700,000 egg layers under contract in Indiana. The company currently trucks these eggs to Michigan for processing. Naturally, this does cause additional logistical costs along with product loss. The company states, they will make a decision regarding the processing site and begin construction as soon as they can break ground this spring. Michigan Business Development Program

Cargill, Decatur - Working with MDARD, MDOT and MEDC to request State Transportation Commission approval to extend Cargill's tracks to accommodate unit trains. The requested loan is \$1.06M, which will be forgivable if they meet their shipping commitments. Cargill has committed to 1400 carloads/year. Since unit-train capacity is integral for the long-term viability of the facility, the project will help retain the existing 13 current employees and create 3-4 new positions. Cargill estimates that the facility upgrades will also increase grain prices up to \$.10/bushel for the local farmers. This is a long term project with great impact for the Village of Decatur and the area growers from an access component.

Shafer Lake Fruit - Bought a new state of the art plum packing line to fill a need in the fresh market and continues to look for value added processing components for the fruit around puree, as an input to the craft brewing sector and more. Shafer lakes added a new plum processing line for 2014 which allowed them to bring their workers back 3 weeks earlier and gave them the ability to pack for another plum grower. Shafer is looking for additional growers to pack for as they expand into new markets. Currently they are packing approximately 20 acres of plums. The packing line was manufactured right in Hartford and meets all new food safety requirements. Shafer Lakes is planning to bolt on a value added processing component like IQF to serve multiple industries making requests for his #2 plums.

Specialty Crop Block Grant - The Specialty Crop Block Grant is funding that comes to Michigan from the United States Department of Agriculture (USDA) via the Farm Bill. The sole purpose of these dollars is to enhance the competitiveness of specialty crops. Specialty Crops include: fruits, vegetables, tree nuts, dried fruits, horticulture and nursery crops (including floriculture).

The 2014 SCBG program received 32 proposals. Twenty-eight proposals were awarded totaling \$1,462,022.00.

Call for proposal for the 2015 SCBG program has been issued and proposals are due to MDARD on March 26, 2015.

Value Added and Regional Food System Overview - The Value Added/Regional Food System grant program seeks to promote and enhance Michigan's food and agriculture industry. The primary focus of this program is to establish, retain, expand, attract and/or develop value added agricultural processing and/or develop regional food systems by enhancing or facilitating aggregation and distribution of Michigan grown agricultural products.

2014 Agriculture Value Added/Regional Food Systems Grant Program received 53 applications requesting more than \$3.4 million. 14 projects totaling \$897,593 were awarded grant funds.

Strategic Growth Initiative Growth Program - The Strategic Growth Initiative (SGI) has an overall goal of increasing the economic impact of the food and agriculture industry in Michigan. This initiative was developed with a focus on increasing the economic impact of the Food and Agriculture Industry in Michigan.

In 2014, MDARD received 76 proposals requesting more than \$19 million. 15 projects were awarded funding for a total of \$2.28 million.

A meeting is scheduled with Director to review recommendations in late March 2015 for the 2015 SCBG program. MDARD received 48 proposals requesting \$6.47million in funds.

## **INTERNATIONAL MARKET DEVELOPMENT PROGRAM**

OAD's International Market Development Program provides services to assist Michigan food and agricultural businesses interested in entering or expanding into international markets. Programs and services are open to all Michigan producers, agri-businesses, processors, and packagers of all sizes and experience levels.

Michigan exports about one-third of its agricultural commodities each year. On a national scale, Michigan ranks in the top ten for exports of dairy products, fresh and processed vegetables, fresh and processed fruits. Michigan's top export agricultural markets in 2013 included: Canada, Japan, Mexico, South Korea and China.

The table below identifies the top 5 exported products:

<b>Top 5 Agriculture Exports</b>	<b>Michigan Ranking</b>	<b>Value of Michigan Exports (in millions)</b>
1. Other *	6	\$1,020
2. Soybeans & Soybean Meal	14	\$671.1
3. Dairy Products	7	\$312.2
4. Fresh & Processed Fruits & Nuts	5	\$ 286.3
5. Wheat	17	\$205.2
<b>Total Exports</b>	<b>17</b>	<b>\$3,530</b>
*Other products include live animals, other meats, animal parts, eggs, wine, beer, other beverages, coffee, cocoa, hops, nursery crops, pet food, inedible materials and prepared foods.		
Source: USDA, 2013		

Below is a list of the activity highlights for the International Marketing Program for calendar year 2014:

Online Export Directory – The International Market Development Program maintains an online up- to-date directory of Michigan companies that currently export or have interest in exporting for potential international buyers, [www.michigan.gov/agexport](http://www.michigan.gov/agexport)

Michigan Pavilions at Trade Shows

- National Restaurant Association (NRA) Show - The NRA Show, held May 18-22, 2013, in Chicago, IL, attracted domestic and international buyers to the show. Michigan companies who participated in the Michigan Pavilion were: Flatout Flatbread, Full Flavor Foods, Cherry Central, Michigan Dry Bean Commission, Michigan Potato Industry Commission, Siblini Bakery and Zeeland Food Services. Companies reported a total of 380 leads generated at the show with an expected increase of \$640,000 in domestic sales and \$90,000 in export sales.
- Food Marketing Institute (FMI) Show – the show held June 11-12, 2014 in Chicago, IL with domestic and international buyers from 75 countries. Michigan companies participating in the Michigan Pavilion were: Cherry Central Cooperative, Fido, Inc., Michigan Apple Committee, Shoreline Fruit, Michigan Potato Industry Commission, Graceland Fruit, Siblini Bakery, Safie Specialty Food, True Blue Berry Management and Honee Bear Canning. Companies reported making 240 leads and anticipated sales domestic sales of \$3,140,000 and exports of \$2,590,000.
- American Food & Beverage Show – this show took place in Miami, Florida, October 27-28, 2014. Over 10,000 buyers from 29 countries attended this two day trade show with a majority of the buyers coming from Central and South America and the Caribbean region. Companies reported a total of 85 leads from the show and anticipate export sales of \$250,000.

2014 Michigan Agriculture Exporter of the Year - The award was given to Continental Dairy Facilities LLC located in Coopersville, MI. Continental Dairy Facilities processes raw milk from West Michigan farms and produces several products, including nonfat dried milk, which is shipped globally. The company sold their products domestically and in Mexico in 2012; and then increased exports by a staggering 706 percent in 2013 reaching new markets in Southeast Asia, the Middle East and North Africa. This rapid growth positioned them as a leading milk exporter. In 2013, five percent of all U.S. milk powder products were exported by Continental Dairy.

Trade Mission to S. Korea - August 25-27, 2015 the International Marketing Program took three Michigan companies to Seoul, S. Korea for one-on-one meetings with potential importers and distributors. The companies reported anticipated sales in the next 12 months of \$1,350,000 and 42 contacts with new foreign buyers.

Export Workshops – The International Marketing Program worked with various industry partners to host three export seminars during 2014.

- February- Global Business Club: 14 companies, 39 total attendees
- June- Alcohol Beverage Export Webinar: 7 attendees
- July- Tapping Brazil Market with Food Export: 5 companies, 7 total attendees

Food Export Association of the Midwest Program – In 2013, 58 Michigan companies participated in 179 Food Export Association programs and services resulting in an actual increase of export sales of \$32,540,368 which is projected to increase to \$48,781,000 in total sales in future years. Michigan company participation in export activities also resulted in 31 new jobs, 110 new distributorships established and 52 first export sales in a new market.

## **MICHIGAN GRAPE AND WINE INDUSTRY COUNCIL FY 2014 ANNUAL REPORT**

The Michigan Grape and Wine Industry Council continues to provide an important forum for statewide collaboration in research, promotion and professional development to meet the changing needs of this exciting growth industry. The Council has established a goal to increase the size of the industry to 10,000 wine grape acres by the year 2024.

### **INDUSTRY HIGHLIGHTS**

- Twelve new wineries (including five hard cider producers) were recognized by the Council as “producers of Michigan wine”, bringing the state total to 112.
- Sales of Michigan wine in the state rose 5 percent in calendar 2013. Michigan wine sales have outpaced total wine sales over the past 10 years, doubling Michigan wineries' market share to 6.5 percent.
- Several smaller wineries utilized a new permit available from the Liquor Control Commission to allow sampling and sales of wine at Farmers Markets.
- Severe cold winter weather, the coldest in 20 years reduced productivity of many wine grape varieties. The cooler than normal growing season created challenges for ripening the crop, which is estimated to be at approximately 50% of typical production level.
- Expansion of distribution outside Michigan wine continued in important national markets.
- Millions of dollars in investment was made by the industry in capital improvements to existing facilities.

### **COUNCIL HIGHLIGHTS**

- The structure of the Council was revised by Executive Order to add two members of the public and stagger terms of appointment. Seven new members were appointed in June 2014.
- The Council voted to accept hard cider producers as “producers of Michigan wine” for promotional listings in Council materials.
- 75% of the wineries recognized by the Council participated in one or more promotional partnerships with the Council during the year.
- The Council participated for the third consecutive year in a marketing partnership with Travel Michigan for a “Wines of Pure Michigan” spring/ summer radio campaign that was effective in driving web traffic to [www.michiganwines.com](http://www.michiganwines.com)
- Michigan Wine Month in April continued to grow in consumer and trade education impact, receiving considerably more media attention than in previous years. A Michigan Wine Showcase event in Chicago was added to the promotional calendar in addition to a similar event in Detroit, sponsored by the Council.
- Social media activity on the “Vintage Michigan” Facebook page and Twitter increased and social media links are integrated into the website.
- The Council sponsored a two-day Michigan Grape and Wine Industry Conference in Acme in February 2014, with attendance of 300 participants.
- The Michigan Wine and Spirits Competition received 450 entries from 51 wineries. A thorough review of the Competition was conducted, including an industry survey, to re-evaluate the Competition's role in furthering the Council's mission.
- Membership in Vintage Michigan, the Council's loyalty program, increased 20%, to over 3,600 members. Participating locations offering discounts to members increased to over 100.
- The Council funded \$92,710 in research projects at Michigan State University to advance knowledge of wine grape growing and winemaking to serve the industry into the future.

- Council staff serve on the Collaboration sub-committee for the implementation of the Tourism Strategic Plan and also on the Governors' Tourism Conference planning committee.
- Staff serve on the Executive Committee of the West Michigan Tourist Council.
- A PR campaign with the theme "Flavors of Pure Michigan" was created in September 2014, to shine a spotlight on Michigan's Culinary Tourism assets.

**Attachment B**

**Table 1**  
**MICHIGAN GRAPE AND WINE INDUSTRY COUNCIL FY 2014**  
**BUDGET SUMMARY**

<b>Category</b>	<b>Total Expenditures</b>
Salary and Fringes	\$373,295
Travel	\$10,101
Administration	\$44,394
Research and Grower Education	\$151,473
Promotional Activity	\$149,535
Industry Services – Competition	\$980
Grape and Wine Conference 2013	\$22,732
Pure Michigan Partnership	\$22,500
Assessments	\$16,118
<b>Total MDARD Administrative Costs</b>	
	<b>\$789,907</b>
Council Expenses	\$7,924
<b>Total</b>	<b>\$797,831</b>

**Table 2**  
**Michigan Grape and Wine Industry Council FY 2013**  
**Research Proposals Funded**

<b>Principal Investigator</b>	<b>Title of Proposal</b>	<b>Award</b>
Isaacs, Rufus	Michigan Vineyard IPM Extension Program	\$17,619
Olsen, Larry	Enviro-Weather Decision – Making Tools for the Grape and Wine Industries	\$4,357
Isaacs, Rufus	Biology and Management of Invasive Insect Pests in Michigan Vineyards	\$20,103
Schilder, Annemiek	Impacts of grapevine leafroll virus on Chardonnay vines and role of potential vectors.	\$19,068
Schilder, Annemiek	Optimizing fungicide use and timing based on weather conditions.	\$10,745
Sabbatini, Paolo	Leaf Removal: A tool to improve crop control and fruit quality in Vinifera Grapes.	\$20,815
Isaacs, Rufus	Michigan Vineyard IPM Extension Program	\$13,898
Isaacs, Rufus	Understanding foliar pest interactions for sustainable vine management	\$13,300
Sabbatini, Paolo	Leaf removal: a tool to improve crop control and fruit quality in Vinifera Grapes.	\$15,008
Sabbatini, Paolo	Achieving vine balance: influence of climate, cultivar, and viticulture practices on fruit quality	\$16,560



	<b>Total</b>	<b>\$151,473</b>
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